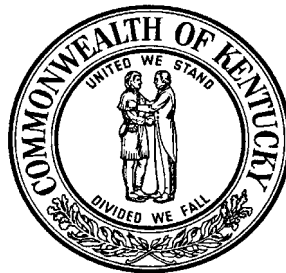


**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES**

April 22, 2005



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Cassity, Jessamine County Judge/Executive
Honorable Joe Walker, Jessamine County Sheriff
Members of the Jessamine County Fiscal Court

The enclosed report prepared by Moore Stephens Potter, LLP, Certified Public Accountants, presents the Jessamine County Sheriff's Settlement - 2004 Taxes as of April 22, 2005.

We engaged Moore Stephens Potter, LLP to perform the financial audit of this statement. We worked closely with the firm during our report review process; Moore Stephens Potter, LLP evaluated the Jessamine County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
JESSAMINE COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES**

April 22, 2005

Moore Stephens Potter, LLP has completed the audit of the Sheriff's Settlement - 2004 Taxes for Jessamine County Sheriff as of April 22, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$21,537,339 for the districts for 2004 taxes, retaining commissions of \$507,415 to operate the Sheriff's office. The Sheriff distributed taxes of \$21,018,187 to the districts for 2004 Taxes. The Sheriff owes a taxing district \$3 and the taxing districts owe the Sheriff refunds of \$62 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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MOORE STEPHENS POTTER LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

To the People of Kentucky

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Finance and Administration Cabinet

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Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the Jessamine County Sheriff's Settlement - 2004 Taxes as of April 22, 2005. This tax settlement is the responsibility of the Jessamine County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Jessamine County Sheriff's taxes charged, credited, and paid as of April 22, 2005, in conformity with the modified cash basis of accounting.

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Members in principal cities throughout the world*

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable William Cassity, Jessamine County Judge/Executive

Honorable Joe Walker, Jessamine County Sheriff

Members of the Jessamine County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Moore Stephens Potter, LLP".

Moore Stephens Potter, LLP

Audit fieldwork completed -
September 28, 2005

JESSAMINE COUNTY
JOE WALKER, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2004 TAXES

April 22, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,389,522	\$ 2,007,118	\$ 12,655,342	\$ 2,800,422
Tangible Personal Property	147,604	206,915	833,545	499,927
Intangible Personal Property				173,624
Increases Through Exonerations	4,670	4,503	26,461	4,504
Franchise Corporation	159,830	213,015	978,792	
Franchise Interest	3,040	3,995	18,171	
Additional Billings	116	130	738	443
Limestone, Sand, and Mineral Reserves	258	445	2,351	520
Bank Franchises	55,542			
Penalties	7,734	10,754	68,632	16,571
Adjusted to Sheriff's Receipt		573	13	9
Gross Chargeable to Sheriff	<u>\$ 1,768,316</u>	<u>\$ 2,447,448</u>	<u>\$ 14,584,045</u>	<u>\$ 3,496,020</u>
<u>Credits</u>				
Exonerations	\$ 11,576	\$ 13,033	\$ 72,858	\$ 11,044
Discounts	26,828	37,324	225,432	57,925
Delinquents:				
Real Estate	21,059	30,615	191,794	42,441
Tangible Personal Property	1,331	1,456	7,516	4,643
Intangible Personal Property				489
Uncollected Franchise	123	167	836	
Total Credits	<u>\$ 60,917</u>	<u>\$ 82,595</u>	<u>\$ 498,436</u>	<u>\$ 116,542</u>
Taxes Collected	\$ 1,707,399	\$ 2,364,853	\$ 14,085,609	\$ 3,379,478
Less: Commissions *	<u>72,867</u>	<u>79,269</u>	<u>211,333</u>	<u>143,946</u>
Taxes Due	\$ 1,634,532	\$ 2,285,584	\$ 13,874,276	\$ 3,235,532
Taxes Paid	1,633,444	2,284,611	13,866,337	3,233,795
Refunds (Current and Prior Year)	<u>1,092</u>	<u>977</u>	<u>7,968</u>	<u>1,759</u>
Due Districts or (Refund(s) Due Sheriff		**		
as of Completion of Fieldwork	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ (29)</u>	<u>\$ (22)</u>

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
 JOE WALKER, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2004 TAXES
 April 22, 2005
 (Continued)

* Commissions:

1% on	\$	653,982
1.5% on	\$	14,085,607
4.25% on	\$	6,787,746
10% on	\$	10,000

** Special Taxing Districts:

Library District	\$	(2)
Health District		(1)
Fire District		(4)
N. Jessamine Fire District		<u>3</u>
Due Districts or (Refund(s) Due Sheriff)	\$	<u><u>(4)</u></u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

April 22, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 22, 2005, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
April 22, 2005
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 29, 2004 through April 22, 2005.

Note 4. Interest Income

The Jessamine County Sheriff earned \$7,775 as interest income on 2004 taxes. As of July 5, 2005, the Sheriff owes \$16 in interest to the school district and \$16 in interest was overpaid to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Jessamine County Sheriff collected \$86,106 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Jessamine County Sheriff collected \$633 of advertising costs and \$3,150 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



MOORE STEPHENS POTTER LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

The Honorable William Cassity, Jessamine County Judge/Executive
Honorable Joe Walker, Jessamine County Sheriff
Members of the Jessamine County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Jessamine County Sheriff's Settlement - 2004 Taxes as of April 22, 2005, and have issued our report thereon dated September 28, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jessamine County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jessamine County Sheriff's Settlement - 2004 Taxes as of April 22, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Moore Stephens Potter, LLP

Moore Stephens Potter, LLP

Audit fieldwork completed -
September 28, 2005

